



STATE OF INDIANA

DEPARTMENT OF FINANCIAL INSTITUTIONS



30 South Meridian Street, Suite 300
Indianapolis, Indiana 46204-2759
Telephone: (317) 232-3955
FAX: (317) 232-7655
WEB SITE <http://www.in.gov/dfi>

July 6, 2005

Addressed Small Loan Licensee

Re: Official Guidance Related to the Required Database Implementation Pursuant to IC § 24-4.5-7-404(5)

Dear Sir/Madam:

This memorandum and the attached document will serve as official guidance of the Department in the adoption of the Indiana Small Loan Database Solution ("Database"). The scope of this guidance is limited to Database implementation; licensees must also comply with all other requirements outlined in the Small Loan Act ("SLA") that are not specifically addressed in this guidance.

I.C. § 24-4.5-7-404(5) required the Department to monitor the effectiveness of available Database products in order to identify one or more that would effectively facilitate compliance with the provisions of the SLA intended to limit multiple concurrent loans. This section of the SLA called upon the Department to determine if one or more "commercially reasonable" methods of verification became available. The Department has determined that two commercially reasonable methods of verification are now available. The Databases are offered by Veritec Solutions, L.L.C., Jacksonville, Florida and Teletrack, Inc., Norcross, Georgia.

In evaluating the commercial reasonableness of potential Database vendors, the Department staff considered, among other factors, the following criteria:

1. The ability of the vendor's Database to provide Indiana licensees with the information necessary to determine eligibility in compliance with I.C. § 24-4.5-7-404(3) and (4);
2. The per transaction pricing to be assessed to Indiana licensees on booked loans;
3. The ability of the vendor's Database to effectively communicate and integrate with competing vendors' Databases;
4. The vendor's status as an independent and unaffiliated provider of the Database to Indiana licensees; and
5. The vendor's experience and reputation in providing these types of services and products, and its financial soundness.

Additionally, favorable determination by the Department of the commercial reasonability of a vendor's Database is contingent upon the following:

1. The vendor's ability and willingness to make available, in both electronic and written form, as requested, reports necessary to assist the Department in evaluating the compliance of Indiana licensees with the requirements of the SLA;
2. The vendor's commitment to use information accessed from competing vendors' Databases only for purposes of assisting its Indiana licensee clients in determining eligibility requirements;
3. The vendor's commitment not to sell or otherwise make available to third parties any information gathered from Indiana licensees for purposes of populating the Database;
4. The vendor's commitment to include in its contracts with Indiana licensees language that will allow the licensee to immediately terminate the contract without penalty in the event the Department's determination of the commercial reasonableness of the vendor's Database is withdrawn;
5. The vendor's commitment to provide timely notification to the Department in the event of any down time experienced by the vendor's Database;
6. The vendor's commitment to provide prior notification to the Department of any significant changes in its per transaction pricing structure; and
7. The vendor's commitment to provide prior notification to the Department regarding any significant amendments to the scope and functionality of its Database product.

Please note that determinations are based upon functionality and reliability representations made to the Department by vendors, and are contingent upon the successful implementation of the vendor's Database in Indiana. The Department reserves the right to withdraw this determination in the event it determines that the vendor's product and service no longer represent a commercially reasonable method by which Indiana licensees may comply with the referenced provisions of the SLA.

The referenced section of the SLA also calls upon the Department to provide reasonable notice to licensees that one or more commercially reasonable methods of verification are available, and to require the use of one of the available Databases by licensees. Consistent with these provisions, you are hereby notified of this determination. The deadline for implementation of the Database is November 1, 2005. This was determined after consultation with representatives of the lending companies and the vendors. Licensees must provide written notice of implementation to the Department.

Attached to this letter is a series of questions and answers intended to provide official Department guidance with respect to implementation of the Database. The Q & A format was deemed to be the most effective method of conveying the expectations and requirements of the Department. Strict compliance with the interpretations communicated in the Q & A is required.

Addressed Small Loan Licensee
July 6, 2005
Page 3

Failure to so comply will prompt corrective action by the Department, up to and including license revocation procedures.

While the attached document is intended to identify anticipated questions and issues, we fully expect that certain issues will require further clarification. As your company implements the Database and works with one of the commercially reasonable Database providers, any issues of uncertainty or lack of clarity should be addressed to the Department immediately. Do not make assumptions or rely on third-party interpretations. Contact the Department with any matters that are not crystal clear.

Please note that you must submit timely notification to the Department upon the adoption by your company of a commercially reasonable Database, which must take place no later than November 1, 2005. The staff of the Department stands ready to work with your company as you work to effectively implement the requirements of the SLA.

Sincerely,

Mark B. Tarpey
Supervisor
Non-Depository Division

Enclosure

c: J. Philip Goddard, Acting Director and General Counsel
John J. Schroeder, Deputy Director